

EAST OREGONIAN

Hydropower off McKay Dam washes out

Phil Wright • East Oregonian

Published on July 3, 2018 2:13PM



EO FILE PHOTO

The idea for a hydroelectric generator at McKay Dam has been scrapped because of the high costs cited by PacifiCorp to connect the project to the company's distribution system.

Bill Hampton of Pendleton is giving up his idea of building a small hydroelectric generator at McKay Dam.

The project would have produced 2 megawatts of power April through October, when the flow from the dam is higher. Hampton estimated the project would have cost \$3 million to \$4 million and generated 5.6 gigawatt-hours each year, or enough power for about 500 homes.

But he said PacifiCorp's 2016 feasibility study of the project also was its obituary.

"That was when they told me I needed to build a transmission line to Yakima," Hampton said.

His original project called for a 3,000-foot-long, 69 kilovolt line connecting to the Pacific Power distribution system. But a 90-mile, 230 kilovolt line to tie into Pacific Power's distribution would cost tens of millions more. Hampton called the scenario ludicrous, but so was fighting PacifiCorp.

Hampton said he is familiar with the state, federal and tribal permitting processes, but taking on PacifiCorp's legal team was another matter.

"That's just a challenge that was too much to tackle," he said, so he surrendered the permit to build the generator back to the Federal Energy Regulatory Commission.

Pacific Power spokesperson Tom Gauntt said the company could not comment on particular business negotiations with a customer or even a potential customer, but "our support of qualifying facilities and renewable customer generation is well documented."

PacifiCorp has more than 6,500 net metering agreements in Oregon, he said, which bring 62.5 megawatts onto the grid to benefit customers. The company also has 74 power purchasing agreements in the state involving 463 megawatts. Gauntt said that amounts to a "significant amount of power from biomass, wind, solar and small hydro."

Hampton said the McKay generator would have been similar to the small generator he worked on in Cottage Grove or the 1.1 megawatt generator PacifiCorp owns on the Wallowa River near Wallowa Lake. The Federal Energy Regulatory Commission in early 2017 renewed the company's operating license for the site for 40 years. Hampton said PacifiCorp likes small hydro as long as it owns it, but otherwise strives to obstruct small projects.

Gauntt said the company follows the law and looks closely at what it takes to connect projects to the grid.

"Connecting these resources can be costly," he explained, "and the feasibility studies we undertake when these new resources are proposed look closely at all costs involved and propose the most cost effective alternative available to the customer while not impacting costs to other customers."



Houtama Hydropower LLC
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February 5, 2018

Secretary Kimberly D. Bose
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426

Subject: McKay Dam Hydroelectric Project FERC Project No. P-14546, Withdrawal from the Preliminary Permit

Dear Secretary Bose,

I wish to withdraw from the FERC preliminary permit for the McKay Dam Hydroelectric Project.

This project was an effort to utilize the power potential of an unpowered dam, consistent with numerous Congressional and administrative policies to encourage such renewable and relatively low-impact hydropower projects. Even though the Public Utility Regulatory Policies Act of 1978 (PURPA) has directed this Commission to encourage efforts to market power from such small hydroelectric facilities, PacifiCorp is effectively blocking small green and community-based power producers from accessing the electrical network and selling their output. The PURPA laws were written to protect free markets and prevent large utilities like PacifiCorp from using their monopoly power to eliminate competition. I believe the small hydroelectric project proposed for McKay Dam was exactly the kind of small local renewable resource Congress had in mind when passing PURPA in 1978.

PacifiCorp is using several methods to game the PURPA laws so that small and local renewable power producers are completely shut out. One method is lower the avoided cost rates paid to small renewable generators that do not accurately reflect the costs of the generation resources that PacifiCorp is actually planning on acquiring. PacifiCorp's primary method for lowering the avoided cost prices is through the Integrated Resource Plan (IRP) process. PacifiCorp controls

the IRP process, and PacifiCorp latest IRP claims that no additional renewable energy is needed for Oregon until 2028. The extremely low “avoided-cost” renewable energy prices for the next 10 years effectively kills any new small green energy projects (and makes even existing green energy project uneconomic when attempting renewal of the original power purchase agreements). While PacifiCorp is claiming via the IRP process that no green energy projects are needed until 2028:

- PacifiCorp has lobbied that State of Oregon to increase the Renewable Energy mandates. In March 2016, the passage of Oregon Senate Bill 1547 increased Oregon's Renewable Portfolio Standard requirement to 50 percent renewables by 2040.
- PacifiCorp is planning to spend \$3.5 billion in the next 4 years for over 1,000 MW of wind projects in Wyoming as well as a 140-mile high-voltage transmission line needed to deliver the wind-projects’ power.

So while PacifiCorp is eliminating small green energy producers by slashing renewable energy prices until 2028, PacifiCorp is aggressively expanding their own green energy production. PacifiCorp is getting massive grants and subsidies while at the same time being guaranteed to have their costs to be reimbursed (“cost plus”). This is a rigged system.

PacifiCorp also blocks small green power producers by claiming certain areas are in “load pockets”. These are areas on PacifiCorp’s system that have more power generation than load, and PacifiCorp claims that it needs to move that power out of the surplus power generation area to another point on its system. PacifiCorp historically took responsibility for accepting and managing all the power on its system, and it has tools to continue to do that. Over the past few years, PacifiCorp (without approval from either the Oregon Public Utility Commission or the Federal Energy Regulatory Commission) has been requiring qualifying facilities to pay for any third-party transmission costs to move the power out of a load pocket. PacifiCorp proposed that qualifying facilities pay for “gold plated” transmission rather than lower cost and equally reliable alternatives. Recently, PacifiCorp has refused to even allow qualifying facilities to purchase third-party transmission, but is requiring renewable energy generators to build expensive and redundant transmission lines. This effectively charges the qualifying facility for unnecessary transmission and makes it impossible to become commercially operational. While the Oregon Public Utility Commission has been aware of PacifiCorp’s increasingly abusive behavior for almost a decade, it has delayed and failed to take any action to protect small green power developers. This problem was brought to the Commission’s attention by the joint comments of the Renewable Energy Coalition and the Community Renewable Energy Association in the interconnection rulemaking, RM17-8 on April 13, 2017. To the best of my knowledge, no action has been taken to correct PacifiCorp’s unlawful policies.

In the case of the McKay Dam Hydroelectric Project (a small 2 MW project near Pendleton, Oregon), PacifiCorp claimed in their interconnection study that the Pendleton-Walla Walla area was a “load pocket” and that in order to sell power to PacifiCorp, the McKay project would need to build and fund a 90-mile 230 kV transmission line to Yakima Washington (see the PacifiCorp Interconnection Study Q0750 McKay Dam Hydro dated 9/16/2016, page 7). PacifiCorp’s requirement for a small 2 MW project to build and fund a 90-mile 230 kV transmission line is totally ludicrous.

It should be noted that the City of Pendleton was recently told by PacifiCorp that a server farm could not be located in Pendleton due to the lack of power in the Pendleton area. It should also be noted that the Bonneville Power Administration (BPA) 69kV transmission line is routed via Pendleton and a major BPA substation is located at Pendleton (i.e. the BPA “Roundup Substation”). Therefore, there is both a need for more power in the Pendleton “load pocket” as well as sufficient transmission capacity to wheel the power out of the Pendleton “load pocket.”

Even more egregious, PacifiCorp does not subject its own generation resources to paying for expensive and unnecessary transmission. PacifiCorp has transmission agreements with Bonneville Power Administration that it can use at low or no cost to wheel green power generation out of a “load pocket”, but PacifiCorp refuses to use these tools for renewable energy generators that it does not own.

Increased competition and having multiple sources of electrical power are both in the public interest. Also, having various locations for power production improves the reliability of the electrical grid. If PacifiCorp deems an area to be a “load pocket” or “load deficient”, PacifiCorp should first use all available low-cost tools to wheel that power from a constrained area. PacifiCorp should fulfill its responsibilities to manage all of its generation resources, including those located in “load pockets.” Secondly, if PacifiCorp is not willing to build needed transmission lines to these areas, then independent developers should be given an opportunity to build transmission lines similar to PacifiCorp (i.e. be reimbursed the cost of the facility plus a fixed rate of return). It would benefit the public in these areas to have more transmission lines.

I urge FERC and the Oregon Public Utility Commission to seriously consider the business practices of PacifiCorp. By gaming the IRP process and the PURPA laws, PacifiCorp is obstructing free-market competition and has all but eliminated small energy producers from developing renewable energy projects in Oregon.

Sincerely,

A handwritten signature in blue ink that reads "Bill Hampton" followed by the date "2/5/2018".

William C. Hampton
Houtama Hydropower LLC

CC Oregon Governor Kate Brown
U.S. Senator Ron Wyden
U.S. Senator Jeff Merkley
U.S. Senator Patty Murray
U.S. Senator Maria Cantwell
U.S. Representative Greg Walden
Oregon Senator Bill Hansell
Oregon Representative Greg Baretto
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